

Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Docket No. CFPB-2019-0023

Director Kraninger,

The Cities for Financial Empowerment Fund (CFE Fund) writes in response to this solicitation to provide feedback on the Bureau's review of the Overdraft Rule. We urge the Bureau to not reduce or eliminate the existing protections in the Overdraft Rule; based on our programmatic experience working with dozens of municipal governments and community organizations across the country, it is clear that overdraft fees have pushed millions of consumers outside of the financial mainstream, and serve as a barrier for previously unbanked people looking to rejoin the system. Being unbanked has a significant negative effect on the financial stability of low and moderate income consumers, even beyond their banking status, impacting other social service investments. In addition, the financial products marketplace is increasingly and successfully embracing accounts with no overdraft capabilities to better serve low- and moderate-income and unbanked consumers.

The CFE Fund supports the work of over 80 cities across the country, providing funding and technical assistance to assist municipal government leaders in improving resident financial stability through integrating one-on-one financial counseling, access to banking, and asset building into their social service infrastructure.

Our experience shows that overdrafts shut people out of the financial mainstream, which impacts their ability to become financially stable. Our national Bank On initiative works with close to 90 local banking access coalitions to address the structural and non-structural barriers that low and moderate income consumers often face when attempting to access mainstream banking services. From our collective experience, which is echoed in the Federal Deposit Insurance Corporation's (FDIC's) biennial National Survey of Unbanked and Underbanked Households, overdraft and unexpected fees are a primary reason that people close accounts.¹ Our Financial Empowerment Center (FEC) initiative, through which two dozen cities are working to offer professional, one-on-one financial counseling as a public service, underscores the destabilizing effect of not having a bank account. Financial counseling clients who were unbanked at intake had a notably more difficult time succeeding: compared to clients with accounts, they were less than half as likely to increase their savings, and over a third less likely to establish a new credit score, even working directly and repeatedly with a counselor in efforts to do so.

¹ 2017 FDIC National Survey of Unbanked and Underbanked Households. Pg 4.
https://economicinclusion.gov/downloads/2017_FDIC_Unbanked_HH_Survey_Report.pdf

In 2015, in partnership with the FDIC and other key stakeholders, the CFE Fund developed a set of national standards that define a safe and affordable transaction account – the core of which is the elimination of any possibility for the account holder to overdraw the account, as well as a clear set of limited fees.² Since their release in October 2015, nearly three dozen banks and credit unions – from the nation’s largest banks to eight financial institutions with under ten branches each – have created accounts that have been certified by a third party validating entity as meeting these Standards.

Institutions with certified accounts are finding these accounts valuable when developing partnerships with social service providers that have significant numbers of unbanked clients; more broadly, institutions see these accounts as an opportunity to reach a new and sustainable customer base. Data from our 2017 National Bank On Data Collection pilot, in partnership with the Federal Reserve Bank of St. Louis, indicated that almost 75% of Bank On certified account holders are new to the bank, demonstrating that these accounts attract new customers.³ There is a large, robust market for accounts without overdraft; changing the Overdraft Rule risks slowing the success of this positive shift.

Based on our broad programmatic experience, it is clear that overdraft fees can reduce the likelihood of previously banked people rejoining the financial mainstream, and have a significant negative effect on the financial stability of low and moderate income consumers. Moreover, a growing number of financial institutions large and small recognize both the barriers that overdraft fees represent, and the market case for offering accounts without it, and are increasingly offering accounts without the ability to overdraft.

Based on this deep programmatic experience partnering with municipal leaders and community organizations across the country, we do not believe reducing or eliminating the existing protections as written in the current Overdraft Rule is warranted.

Sincerely,

Jonathan Mintz
President & CEO
Cities for Financial Empowerment Fund

² Bank On National Standards. http://joinbankon.org/wp-content/uploads/2018/12/BankOn_Standards_2019-2020.pdf

³ National Bank On Data Pilot. http://joinbankon.org/wp-content/uploads/2019/03/The-Present-and-Future-of-Bank-On-Account-Data-Pilot-Results-and-Prospective-Data-Collection_.pdf